

Message Text

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C O N F I D E N T I A L SECTION 01 OF 02 VALLETTA 02534

E.O. 11652: GDS
TAGS: PEPR, XG, XI
SUBJECT: MORE ON MALTA'S EURO-ARAB DIALOGUE

1. SUMMARY: ON AUGUST 2 WE MET WITH ATTORNEY GENERAL MIZZI TO DISCUSS LAW OF THE SEA MATTERS FOLLOWING WHICH THE CONVERSATION TURNED TO THE CURRENT STATUS OF MALTA'S DIALOGUE WITH THE EUROPEAN AND ARAB COUNTRIES. MIZZI STRONGLY REITERATED THE GOM'S POSITION THAT MALTA MUST HAVE BUDGET SUBSIDIES IF EUROPE WANTS A FORMAL GUARANTEE THAT MALTA WILL PURSUE A NEUTRAL FOREIGN POLICY POST MARCH, 1979 AND STRESSED THAT ECONOMIC COOPERATION IS NOT AN ACCEPTABLE SUBSTITUTE. ALGERIA WILL NOT PROVIDE BUDGET SUBSIDIES EITHER AND THE LIBYANS HAVE NOT PROMISED TO MEET ENTIRELY MALTA'S REQUEST FOR LM 28 MILLION ANNUALLY BUT THEY HAVE PROMISED "EVERYTHING MALTA NEEDS". LIBYA HAS ALSO BEEN FORTHCOMING IN THE SECURITY
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AREA BY PROMISING TO PROVIDE TWO PATROL BOATS AND TWO FIXED-WING AIRCRAFT "THIS MONTH" FOR AN AIR SEA RESCUE ROLE AND PROTECTION OF MALTA'S TERRITORIAL WATERS. THE EUROPEANS HAVE NOT BEEN RESPONSIVE SO THE GOM MUST EXERCISE ITS ARAB OPTION EVEN THOUGH MIZZI ACKNOWLEDGED THAT THE GOM STILL PREFERRED NOT TO BE DEPENDENT ON ONLY ONE COUNTRY. WE CONTINUE TO DOUBT THAT THE EUROPEAN SIDE OF

THE DIALOGUE IS DEAD ALTHOUGH IT WILL PROBABLY REMAIN AT A STANDSTILL FOR SOME TIME. END SUMMARY.

2. WHILE REHEARSING THE REASONS FOR THE GOM'S PREFERENCE FOR A QUADRAPARTITE GUARANTEE OF MALTA'S NEUTRALITY AND FINANCIAL VIABILITY, MIZZI WAS PARTICULARLY EMPHATIC THAT FINANCIAL ASSISTANCE, I.E. BUDGET SUBSIDIES, WERE ABSOLUTELY IMPERATIVE IF EUROPE WANTED A FORMAL DOCUMENT FROM MALTA PLEDGING IT TO A NEUTRAL FOREIGN POLICY. HE DREW A SHARP DISTINCTION BETWEEN ECONOMIC COOPERATION ON THE ONE HAND IN THE FORM OF TRADE, PRIVATE INVESTMENT, DEVELOPMENT ASSISTANCE AND TECHNICAL ASSISTANCE REQUIRED FOR THE LONG-TERM GROWTH AND DEVELOPMENT OF THE MALTESE ECONOMY AND, ON THE OTHER HAND, FINANCIAL ASSISTANCE IN THE FORM OF BUDGET SUPPORT NEEDED TO HELP THE GOM COPE WITH THE SHORT-TERM ADJUSTMENT PROBLEMS MALTA FACES AS A RESULT OF THE LOSS OF BRITISH BASE RENTAL PAYMENTS. THE GOM WELCOMES ECONOMIC COOPERATION WITH ALL COUNTRIES ON THE BASIS OF MUTUAL BENEFIT AND REGARDLESS OF WHAT HAPPENS TO THE EUROPEAN SIDE OF THE DIALOGUE THE GOM'S POLICY TOWARD EUROPE IN THIS AREA WILL NOT CHANGE. BUT IF FINANCIAL ASSISTANCE IS NOT FORTHCOMING FROM EUROPE, SAID MIZZI, THEN THE GOM WILL NOT AGREE TO A NEUTRALITY DECLARATION FOR MALTA. MALTA WILL REMAIN NEUTRAL BUT IT WILL NOT BE "BALANCED" NEUTRALITY. MIZZI DID NOT RULE OUT "SECURITY COOPERATION" WITH EUROPE (BY WHICH WE ASSUME HE MEANT CONFIDENTIAL

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MILITARY TRAINING MISSIONS SUCH AS THE ITALIAN MISSION HERE), BUT HE STRESSED THAT IT WOULD "BE A MISTAKE TO THINK" THAT THIS KIND OF SECURITY COOPERATION OR ECONOMIC COOPERATION COULD BE USED AS A SUBSTITUTE FOR BUDGET SUBSIDIES.

3. IN DISCUSSING THE MODALITIES OF FINANCIAL ASSISTANCE, MIZZI WAS DEFINITE THAT ALL SUCH ASSISTANCE MUST BE CHANNLED THROUGH FRANCE AND ITALY ALTHOUGH THE GOM DID NOT CARE WHERE SUCH FUNDS ACTUALLY CAME FROM. ALTHOUGH HE WAS NOT EXPLICIT ABOUT THE REASONS FOR THIS CONDITION WE ASSUME FROM THE CONTEXT OF HIS REMARKS THAT THE GOM WANTS A WRITTEN UNDERTAKING FROM THOSE TWO COUNTRIES TO PROVIDE MALTA WITH LM 14 MILLION PER YEAR FOR FIVE YEARS THEREBY MAKING THEM CLEARLY RESPONSIBLE FOR GETTING THESE FUNDS. THE SAME CONDITION, HE SAID, APPLIES TO LIBYA AND ALGERIA.

4. MIZZI WENT ON TO LAMENT THE LACK OF RESPONSE FROM THE EUROPEANS TO MALTA'S REQUEST FOR BUDGET SUBSIDIES. THE PM HAD HOPED, BASED ON FOREIGN SECRETARY ABELA'S TALKS IN BONN, THAT THE GERMANS WOULD RECONSIDER THEIR OPPOSITION TO BUDGET SUBSIDIES. THE GOM HAD HEARD THAT THIS ISSUE

WAS TO HAVE BEEN REVIEWED IN A GERMAN CABINET MEETING ON JULY 22 BUT APPARENTLY MALTA DID NOT EVEN COME UP. THEN, AT THE "LAST MINUTE", THE ITALIANS SENT A NOTE VERBALE SUGGESTING MORE TALKS WITH THE GOM. AT THAT, ACCORDING TO MIZZI, THE PM THREW UP HIS HANDS IN DISGUST AND TOLD HIS CABINET THAT THEY COULD DECIDE WHETHER OR NOT TO REPLY TO THE NOTE BUT THAT HE WAS GOING TO HAVE NOTHING FURTHER TO DO WITH THIS MATTER. MIZZI, WHETHER MERELY FOR EFFECT OR OUT OF GENUINE CONCERN, THEN SHOWED GREAT SENSITIVITY ABOUT HAVING TOLD US ABOUT MINTOFF'S REACTION TO THE ITALIAN NOTE VERBALE, PARTICULARLY TURNING THE RESPONSI-

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BILITY FOR RESPONDING TO IT OVER TO THE CABINET, AND ASKED US NOT TO REPEAT HIS COMMENTS TO ANYONE. HE EXPLAINED THAT HE HAD MENTIONED IT ONLY TO DEMONSTRATE "THE DEPTH" OF THE PRIME MINISTER'S FRUSTRATION AND SAID THAT OBVIOUSLY WHEN THE PRIME MINISTER RETURNED FROM HIS VACATION HE WOULD HAVE TO RESUME HIS OVERALL RESPONSIBILITY FOR MALTA'S FOREIGN POLICY.

5. MIZZI WENT ON TO CLAIM THAT NO FURTHER DIALOGUE WITH THE EUROPEANS WAS POSSIBLE AND THAT THE GOM WOULD EXERCISE ITS ARAB OPTION. WHEN WE PUSHED HIM MIZZI WAS UNWILLING TO SAY THAT A "DECISION" TO THIS EFFECT HAD ACTUALLY BEEN

TAKEN BUT THAT HE "ANTICIPATED" THAT IT WOULD BE. HE MAINTAINED THAT THE LIBYANS WERE PRESSING THE MALTESE FOR A CLEAR-CUT STATEMENT ON GOM INTENTIONS AND THAT IN ANY CASE THE GOM WANTED TO TIE DOWN AN AGREEMENT WITH THE LIBYANS SO IT KNOWS EXACTLY WHERE IT STANDS.
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6. IN DISCUSSING THE ARAB OPTION MIZZI SAID THAT FINANCIAL ASSISTANCE WOULD COME MAINLY IF NOT ENTIRELY FROM LIBYA. ALGERIA IS "LIKE FRANCE" AND WILL NOT PROVIDE BUDGET SUPPORT ALTHOUGH IT IS WILLING TO HELP OUT IN THE ECONOMIC COOPERATION AREA. WHILE MIZZI CONCEDED THAT LIBYA HAD NOT PROMISED TO PROVIDE THE FULL AMOUNT OF LM 28 MILLION ANNUALLY, HE STATED THAT THE LIBYANS HAD BEEN HELPFUL IN THE PAST AND THAT THEY HAD SAID THAT THEY WOULD PROVIDE "ANYTHING MALTA NEEDS".

7. MIZZI CONTRASTED LIBYA'S WILLINGNESS TO HELP WITH EUROPE'S UNRESPONSIVENESS BY RELATING THE GOM'S EXPERIENCE IN DEALING WITH BOTH SIDES ON MALTA'S NEEDS FOR AIR SEA RESCUE EQUIPMENT AND TRAINING AS WELL AS PROTECTION OF MALTA'S TERRITORIAL WATERS. THE GOM HAD ASKED THE ITALIANS "MONTHS AGO" TO HELP THE GOM DETERMINE WHAT BRITISH MILITARY EQUIPMENT ON THE ISLAND MIGHT BE USEFUL TO MALTA. NOTHING HAPPENED. THE ITALIANS HADN'T EVEN BEEN ABLE TO ARRANGE FOR CERTAIN MODIFICATIONS ON A MALTESE HELICOPTER, ALTHOUGH THEY HAD PROMISED TO DO SO LONG AGO. TURNING TO THE BRITISH, HE SAID THAT THEY HAD ALSO BEEN ASKED FOR HELP IN DETERMINING MALTA'S NEEDS IN THIS AREA. THE BRITISH SENT A TEAM WHICH PROMISED A PRELIMINARY REPORT IN A "MATTER OF DAYS" BUT EVEN THIS REPORT TOOK WELL OVER A MONTH. THEN, SAID MIZZI, THE GOM ASKED THE LIBYANS FOR HELP AND THEY IMMEDIATELY OFFERED TWO PATROL BOATS AND TWO FIXED-WING AIRCRAFT WHICH THEY HAVE PROMISED TO PROVIDE "THIS MONTH". MIZZI SAID THAT WHILE THE EQUIPMENT MAY NOT ARRIVE IN AUGUST - THE LIBYANS DON'T ALWAYS MEET THEIR DEADLINES - HE WAS SURE IT WOULD BE IN MALTA BY MID-SEPTEMBER. THE LIBYANS ALSO PROMISED TO TRAIN MALTESE TO FLY THESE AIRCRAFT. TRAINING WILL PROBABLY NOT
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BE REQUIRED FOR THE PATROL BOATS, ACCORDING TO MIZZI, AS THE MALTESE MILITARY ALREADY HAVE CREWS TO MAN THEM.

8. MIZZI EXPRESSED SOME CONCERN THAT MALTA NOT BE COM-

PLETELY DEPENDENT ON ONLY ONE COUNTRY "WHICH WILL WANT SOMETHING BACK" AND REITERATED HIS PERSONAL BELIEF THAT THE WEST WILL WAIT TO THE "LAST FIFTEEN DAYS OF MARCH" BEFORE DOING SOMETHING ABOUT MALTA'S REQUESTS. BUT, HE STRESSED, IT WAS UP TO THE EUROPEANS TO DECIDE TO WHAT EXTENT THEY WANTED TO BALANCE THE ARABS.

9. I URGED AT SEVERAL TIMES IN THE CONVERSATION THAT THE GOM NOT REJECT THE ITALIAN OFFER TO TALK. MIZZI RESPONDED THAT IT WAS "TOO LATE" FOR THAT; ESPECIALLY IF ALL THAT WAS TO BE TALKED ABOUT WAS LOANS AND TECHNICAL ASSISTANCE RATHER THAN GRANT AID. I SAID AN AVAILABLE FORUM FOR A DIALOGUE WAS WHAT MATTERS MOST.

10. COMMENT: WHETHER MIZZI IS RIGHT ABOUT THE EUROPEAN SIDE OF THE DIALOGUE BEING DEAD REMAINS TO BE SEEN. WITH THE PRIME MINISTER SILENT AND GONE ON VACATION FOR TWO WEEKS OR SO, WE REMAIN SKEPTICAL THAT THE LAST WORD HAS BEEN SPOKEN. IT DOES SEEM LIKELY, HOWEVER, THAT THE DIALOGUE WILL REMAIN AT A STANDSTILL FOR SOME TIME, POSSIBLY UNTIL THE EUROPEANS MAKE SOME KIND OF MORE CON-
CRETE OFFER ON ECONOMIC ASSISTANCE. LAINGEN

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